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SUBJECT: BUSINESS OPTIMISM IN SMALL ANATOLIAN CITY

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¶1. (SBU) Summary: Afyon, three hours southwest of Ankara, is a central Anatolian city of 150,000, home to marble mines and Turkey's illicit opium production. A recent visit to Afyon revealed a city with extensive commercial ties to the U.S. that is trying to build up its tourism industry. Businessmen and industry experts told us that, despite successful marble and food production sectors, uncertainties over the exchange rate and the overall economic situation loom. End summary.

AFYON'S LIFELOOD: THE MARBLE INDUSTRY

¶2. (SBU) Afyon is one of Turkey's largest marble-producing regions, with over 400 local businesses involved in the sector. Several marble mines are located in Iscehisar, 20 kilometers northeast of Afyon's city center. Melih Yurter, president of Afyon's Chamber of Commerce and Industry, told us that 20 percent of Turkey's marble exports come from within Afyon's provincial borders and nearly 70 percent of these exports are destined for the U.S.

¶3. (SBU) Hakan Emre, general manager of marble producer Tureks, told us that Afyon's smaller marble companies lack the infrastructure to make international export contacts, leaving them vulnerable to swings in local demand. Larger companies subcontract production to the smaller firms. Emre noted that competition in the U.S. market brings prices down, but said that he wants to increase the U.S. share in his company's portfolio because U.S. demand is ever-increasing.

FOOD PRODUCTION

¶4. (SBU) Second only to marble, food production is an increasingly important part of Afyon's local economy. Yurter told us that one-third of Istanbul's meat consumption comes from Afyon. The region is known for its sausage and cream, and it is home to sugar and sugar beet factories. Yurter told us that 22 percent of Turkey's eggs are produced in Afyon, and that poultry production is back to normal after the country's avian influenza outbreak earlier this year. Yurter noted that, although there were no incidents in Afyon, the outbreak had a psychological impact.

¶5. (SBU) Afyon, whose name means "opium" in Turkish, is also home to Turkey's largest poppy and alkaloid producing plant (ref A). However, Yurter told us that the plant does not have a significant economic impact on the province.

THERMAL TOURISM ON THE RISE

¶6. (SBU) Yurter told us that the Ministry of Culture and Tourism

recently identified four different thermal areas in the province, and will be offering incentives for tourism development. Afyon is already home to two thermal resorts, with plans in the works to construct a third in the coming year. Yurter explained that Afyon has adapted the traditional "hamam" (Turkish bath) to the more modern "spa" culture. He views thermal tourism as one of the areas of highest potential growth in the province. The Chamber of Commerce and Industry is also looking for ways to promote tourism to the region's historic ruins and picturesque rock structures.

FUTURE CHALLENGES

¶7. (SBU) Afyon's businesses are feeling the impact of recent volatility. Emre told us that these uncertainties have affected his industry, saying that keeping an eye on the economy and exchange rate is "like a second job for us." Yurter, on the other hand, expressed optimism regarding the recent "correction" in the value of TL, due its positive impact on Afyon exporters. Yurter listed high energy and labor costs as major problems for Afyon industry, especially given increasing competition from China.

COMMENT

¶8. (SBU) Given its location on the road to the Mediterranean resort town of Antalya, Afyon has tourist potential. Although economic uncertainty affects Afyon as it does the majority of Turkish cities, both Emre and the members of the Chamber of Commerce and Industry were relatively upbeat about the situation in the province and prospects for the future.

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